

This letter discusses items that qualify for the manufacturing machinery and equipment exemption when used to convey component parts. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

April 14, 2006

Dear Xxxxx:

This letter is in response to your letter dated November 4, 2005, in which you request information. We apologize for taking so long to respond. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Our company is requesting a letter ruling on the issue mentioned below. Our company's main business is the manufacturing and assembly of automotive lighting. We are requesting a letter ruling on the issue of the exemption of machinery and equipment used to transfer component parts from our warehouse to our assembly department. Please refer to the facts listed below.

Our warehouse is located within the same building as our manufacturing processes. We are using an automated guided vehicle to carry the component parts from the warehouse to the assembly workstations. The carts follow a track to the assembly area, drop off the full carts, pick up the empty ones and continue back to the warehouse area where they are refilled by a material handler.

Thank you for your prompt response and assistance concerning my sales tax issues. If you should have other questions, I can be reached at #.

DEPARTMENT'S RESPONSE

The Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily (over 50%) in the manufacturing or assembling of tangible personal property for wholesale

or retail sale or lease. See 86 Ill. Adm. Code 130.330. When determining whether a piece of equipment qualifies for the manufacturing machinery and equipment exemption, the requirements of 86 Ill. Adm. Code 130.330 must be met.

Items that qualify for the manufacturing machinery and equipment exemption include machinery and equipment used to convey, handle, or transport the tangible personal property to be sold within production stations on the production line or directly between such production stations or buildings within the same plant. See 86 Ill. Adm. Code 130.330(d)(3)(D). However, items that qualify for the exemption do not include the use of machinery or equipment to store, convey, handle or transport materials or parts or sub-assemblies prior to their entrance into the production cycle or after completion of the production cycle. See 86 Ill. Adm. Code 130.330(d)(4)(C) and 130.330(d)(4)(D).

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk